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THE COMPANIES ACT 1985
COMPANY LIMITED BY SHARES

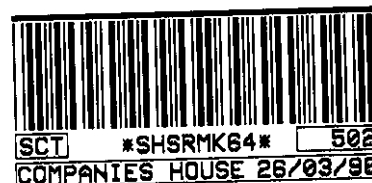
ARTICLES OF ASSOCIATION

of

MORRISON RESIDENTIAL ASSETS LIMITED
(formerly Aderwood Limited)

(adopted by Special Resolution passed on 18th March 1996)

1996
HAP/B892/55
HAP-ADERWOOD-ARTS (DM.ADMIN)



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AWD 18/3/96

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PRELIMINARY

1. In these Articles:-

"the Act" means the Companies Act 1985 as amended by the Companies Act 1989 including any statutory modification or re-enactment thereof for the time being in force.

"Shareholders Agreement" means the agreement dated 18th March 1996 among British Linen Assets plc, Morrison Homes Limited and the Company relative (inter alia) to the Company as the same may be amended, supplemented or novated from time to time.

"Table A" means Table A in the Companies (Table A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985.

2. Regulations 17, 30, 39, 40, 42, 43, 50, 54, 60, 61, 64, 72-80 inclusive, 82, 84-89 inclusive, 101 and 118 of Table A shall not apply to the Company. The Articles hereinafter contained and the remaining regulations of Table A, subject to the modifications hereinafter expressed, shall constitute the regulations of the Company.

SHARES

3. The nominal share capital of the Company at the date of the adoption of these Articles is £100 divided into 50 "A" Ordinary Shares of £1 each (in these Articles referred to as "A" Shares) and 50 "B" Ordinary Shares of £1 each (in these Articles referred to as "B" Shares).
4. The "A" Shares and the "B" Shares shall be separate classes of share but save as hereinafter otherwise

provided shall carry the same rights and privileges and shall rank pari passu in all respects.

5. (A) Unless otherwise agreed in writing by all the members for the time being of the Company, unissued Shares in the capital of the Company for the time being shall only be allotted and issued as follows and Regulations 2 to 4 of Table A shall be modified accordingly:-
 - (i) every allotment shall be of equal numbers of "A" Shares and "B" Shares;
 - (ii) on the occasion of each allotment the "A" Shares and "B" Shares shall be allotted at the same price (not being at a discount) and on the same terms as to date for payment, ranking for dividend and otherwise howsoever in accordance with these Articles;
 - (iii) no Shares of either class shall be issued otherwise than to members holding Shares of the same class without the prior written consent of all of the members;
 - (iv) as between holders of Shares of the same class the Shares of the class being allotted shall be allotted in proportion to such holders' then existing holdings of Shares of that class or in such other proportions between them as all the members holding Shares of the same class shall agree in writing;
 - (v) the maximum nominal amount of share capital which the Directors may allot, grant options or subscription or conversion rights over or otherwise deal with or dispose of pursuant to paragraph (A) of this Article shall be £100. The authority conferred on the Directors by paragraph (A) of this Article shall expire on the day preceding the fifth anniversary of the date of adoption of these Articles.
- (B) Save as provided in paragraph (A) of this Article, the Directors shall have no power to issue unissued Shares and shall not allot, grant options or subscription or conversion rights over or otherwise deal with or dispose of the same.
- (C) The powers invested in the Directors to allot equity securities (within the meaning of section 94(2) of the Act) shall be exercisable as if sections 89(1)

and 90(1) to (6) inclusive of the Act did not apply to any allotment.

TRANSFER OF SHARES

6. Except for transfers pursuant to the provisions of Articles 7, 8, 9 or 25 (which the Directors shall be bound to register) the Directors shall decline to register a transfer of any share, whether or not it is a fully paid share and Regulation 24 of Table A shall be modified accordingly.
7. (A) A member may (subject as hereinafter provided) at any time transfer all but not some only of its shares to any body corporate or person with the prior consent in writing (delivered to the Company) of the holders of the majority in value of each class of shares in the Company.

(B) Such member shall when applying for such prior consent produce accounts or other appropriate evidence showing to the said other members of the Company that the proposed transferee is at the date of such application of at least equivalent financial standing as the applying member but declaring for the avoidance of doubt that the receipt of such information shall not oblige the said other members to give their consent to the proposed transfer.
8. (A) If a valid Default Notice is served under the Shareholders Agreement which specifies that the non-defaulting member shall acquire the shares in the Company held by the defaulting member, the non-defaulting member shall also state in the Default Notice what it considers to be the fair price payable on the purchase of such shares. Within 21 days of service of the Default Notice ("the Response Period"), the defaulting member shall notify the non-defaulting member whether the price is acceptable. If no written rejection of such proposed price is received within the Response Period, the defaulting member shall be deemed to have accepted the price. If the defaulting member rejects the price stated in the Default Notice in writing within the Response Period, then the fair price shall be such price as shall be determined by an independent firm of chartered accountants of international repute to be nominated by the non-defaulting member which shall act as experts and not as arbiters and which shall consider the representations of the members and shall take appropriate advice from a firm of chartered surveyors competent to advise in property matters. The decision of such firm of chartered accountants shall, except in the case of manifest error, be final and binding upon the members. For the

purposes of these provisions, all previous and current auditors of the non-defaulting member shall not be considered to be independent.

- (B) For the purposes of these provisions, a fair price in respect of shares means the fair market value of the shares held by the defaulting member at which such shares might be expected to be sold by a willing seller to a willing purchaser having regard to the fair market value of the Company as whole assuming that:-
- (i) a reasonable period of time is made available within which to find a purchaser taking into account the nature of the properties held by the Company;
 - (ii) the value of the properties held by the Company remains static throughout the period in sub-paragraph (i);
 - (iii) the properties held by the Company are freely exposed to the open market; and
 - (iv) no account is taken of any additional bid by a special purchaser.
- Fair market value shall not be discounted or enhanced by reference to the size of the holding or any restriction on the transfer of shares in the Shareholders Agreement or these Articles, and may not be a negative amount.
- (C) Upon being notified of the determination of the fair price of shares the subject of a Default Notice, the non-defaulting member may, within 7 days of receipt by it of such notification, elect not to purchase such shares.
- (D) If a member exercises its rights under these provisions and becomes obliged hereunder to purchase the shares in the capital of the Company which are owned by another member, the sale and purchase of such shares shall be completed at such place and on such date as the non-defaulting member may specify with payment thereto, in cleared funds in sterling against delivery of a duly executed transfer of the shares to be sold free from all encumbrances accompanied by the relevant certificate or certificates and/or other documents of title together with any power of attorney or other authority under which such transfer shall have been executed.
- (E) Save as referred to in paragraph (C) above or with the consent of the party to whom a Default Notice

was given a Default Notice as referred to in paragraph (A) above shall create obligations, in the case of a purchase by the non-defaulting member to sell and upon the non-defaulting member to purchase shares in the Company at the price and in the manner and on the terms and subject to the conditions contained in this Article 8.

- (F) Each member appoints the others irrevocably and by way of security for the performance of its respective obligations under this Article 8 as its attorney to do all such acts and execute all such documents as may be necessary to effect any such sale and transfer if the selling member fails to do any such acts or execute any such documents. If such appointment is utilised the purchasing member may deliver the purchase monies or cause the same to be delivered to the Company together with the relevant executed transfer and the Company shall cause the name of the transferee to be entered as the holder of the transferred shareholding and shall hold the purchase monies on trust for the selling member. The purchasing member shall give notice to the selling member as soon as reasonably practicable after the taking of any such action as is described in the preceding sentence. Receipt by the Company of the purchase monies shall be a discharge to the purchasing member. The purchase monies shall not bear interest against the Company, the purchasing member or the transferee (or their respective successors).

LIEN AND FORFEITURE

9. (A) The lien conferred by regulation 8 of Table A shall apply to all Shares of the Company, whether fully paid or not, and to all Shares registered in the name of any person indebted or under liability to the Company, whether he be the sole registered holder thereof or one of several joint holders. Regulation 8 of Table A shall be modified accordingly.
- (B) Subject to Article 27 of these Articles all Shares to be sold in the enforcement of the Company's lien or rights of forfeiture shall be offered mutatis mutandis to members in accordance with Article 5 of these Articles as if they were unissued Shares of the Company. Regulations 9 and 20 of Table A shall be modified accordingly.

PROCEEDINGS AT GENERAL MEETINGS

10. (A) No business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the business and also when such

business is voted upon. Subject to Article 27 of these Articles two members present in person or by proxy, including one person being or representing a holder of any of the "A" Shares and one person being or representing a holder of any of the "B" Shares, shall be a quorum for all purposes. For the purposes of these Articles of Association a corporation being a member shall be deemed to be personally present if represented in accordance with the provisions of Section 375 of the Act.

- (B) If at any adjourned meeting such a quorum is not present within ten minutes from the time appointed for the adjourned meeting (or such longer interval as the chairman of the meeting may think fit to allow), the meeting shall be dissolved. Regulation 41 of Table A shall be modified accordingly .
 - (C) A poll may be demanded at any General Meeting by the chairman of the meeting or by any member present in person or by proxy and entitled to vote. Regulation 46 of Table A shall be modified accordingly.
 - (D) Subject to Article 27 of these Articles on a show of hands every member present in person or by proxy shall have one vote and on a poll every member so present shall have one vote for every "A" Share and one vote for every "B" Share of which he is the holder: Provided that (i) the holders of "B" Shares shall not be entitled to vote on a resolution for the appointment or removal from office of any "A" director (as defined in Article 11) and the holders of "A" Shares shall not be entitled to vote on a resolution for the appointment or removal from office of any "B" Director (as defined in Article 11) and (ii) if at any meeting any holder of Shares is not present in person or by proxy the votes exercisable on a poll in respect of the Shares of the same class held by members present in person or by proxy shall be increased pro rata so that such Shares shall together entitle such members to the same aggregate number of votes as could be cast in respect of all the Shares of that class if all the holders thereof were present.
 - (E) An instrument appointing a proxy may be in any usual or common form or in any other form which the Directors may approve.
 - (F) The chairman at any General Meeting shall not be entitled to a second or casting vote.
11. The omission to give notice of a meeting to any member entitled to receive notice of and attend and vote at General Meetings shall invalidate the proceedings at that meeting.

APPOINTMENT OF DIRECTORS

12. (A) The number of Directors (other than alternate Directors) shall not be subject to any maximum but shall not be less than four and shall not be any number which is not a multiple of two, of whom one half ("A" Directors) shall be appointed by the holders of the majority in nominal value of the "A" Shares and one half ("B" Directors) shall be appointed by the holders of the majority in nominal value of the "B" Shares.
- (B) The holders of the "A" Shares may at any time and from time to time by a memorandum signed by the holders of a majority in nominal value of the "A" Shares appoint any person to be an "A" Director (but so that the number of "A" Directors for the time being shall not be less than two nor more than one half of the total of the "A" Directors and the "B" Directors so appointed) and may in like manner remove any "A" Director appointed by the holders of the "A" Shares and appoint another in his place and may similarly fill any other vacancy in the "A" Directors to be appointed by the holders of the "A" Shares. Any such appointment or removal under Article 12(A) or (B) shall take effect at and from the time when the memorandum is lodged at the registered office of the Company or produced to a meeting of the Directors.
- (C) The rights conferred by the preceding paragraph on the holders of the "A" Shares shall mutatis mutandis apply in respect of the holders of the "B" Shares in relation to the "B" Director or Directors appointed by the holders of the "B" Shares.
- (D) Any memorandum of appointment or removal of a Director which is required to be signed by a corporate shareholder may be signed on its behalf by any two of its directors or by any one of its directors and its secretary.
13. A Director shall not be required to hold any share qualification, but nevertheless shall be entitled to attend and speak at any General Meeting.

BORROWING POWERS

14. The Directors may exercise all the powers of the Company to borrow or raise money or to guarantee and to mortgage or charge its undertaking, property, assets and rights and uncalled capital or any part thereof and, subject to the provisions of the Act, to create and issue debentures, debenture stock, mortgages, charges and other securities, whether outright or as security for any debt,

liability or obligation of the Company or of any third party.

POWERS AND DUTIES OF DIRECTORS

15. Subject to the provisions of the Act and provided he has disclosed to the Directors the nature and extent of any material interest, a Director may be interested directly or indirectly in any contract or arrangement or in any proposed contract or arrangement with the Company or with any other company in which the Company may be interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any such other company and he or any firm of which he is a member may act in a professional capacity for the Company or any such other company and be remunerated therefor.

Notwithstanding his interest a Director may, subject to Article 27 of these Articles, vote on any matter in which he is interested and be included for the purpose of calculating the quorum at any meeting at which the same is considered and he may retain for his own benefit all profits and advantages accruing to him therefrom. Regulation 94 of Table A shall be modified accordingly.

DISQUALIFICATION ETC OF DIRECTORS

16. (A) In addition to the provisions of Regulation 81 of Table A the office of a Director shall be vacated if he is removed from office under Articles 12(B) or 12(C) of these Articles.
- (B) The "A" Directors and the "B" Directors shall not be subject to retirement by rotation and no Director shall be appointed otherwise than as herein provided.

ALTERNATE DIRECTORS

17. (A) Any appointment or removal of an alternate Director made under Table A shall be by notice delivered to the registered office of the Company.
- (B) The words "approved by resolution of the Directors and" shall be deleted from Regulation 65 of Table A.
- (C) If his appointor is for the time being absent from the United Kingdom or otherwise not available the signature of an alternate Director to any resolution in writing of the Directors shall be as effective as the signature of his appointor. An alternate Director shall be deemed to be a Director for the purpose of signing instruments to which the seal is affixed.

- (D) An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements with the Company and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director, but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration, except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

PROCEEDINGS OF DIRECTORS

18. The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and manner of dispatching business as they think fit. Subject to Article 27 of these Articles, the quorum throughout a meeting shall be two Directors (of whom one at least shall be an "A" Director and one at least a "B" Director). In the event that a meeting of the Directors is not quorate within thirty minutes of the time appointed for the meeting the meeting shall be adjourned for a period of at least seven days.
- Not less than 7 days notice of a meeting shall be given unless all the Directors of the Company for the time being agree that less notice shall be given.
19. The Directors may from time to time by Agreement appoint committees consisting of one or more "A" Directors and one or more "B" Directors and may delegate any of their powers to any such committee and from time to time revoke any such delegation and discharge any such committee wholly or in part. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Directors but may meet and adjourn as it thinks proper provided that the quorum for a meeting of any committee shall throughout a meeting be as stated in Article 18 of these Articles.
20. The Chairman at all meetings of the Directors and committees of the Directors shall be a Director appointed by the Directors of the Company. The Chairman shall not have a second or casting vote.
21. All business arising at any meeting of the Directors or any committee of the Directors shall be determined only by resolution and no such resolution shall be effective unless passed unanimously by those present and entitled to vote.
22. Subject to Article 27 of these Articles, a resolution in writing, signed by an "A" Director and a "B" Director

(which signatures may be on one or more documents in like form) shall be as valid and effective as if it had been passed at a meeting of the Directors duly convened and held.

23. Any and all Directors may participate in a meeting of the Directors or a committee of the Directors by means of conference telephone or similar communications equipment whereby all persons participating in the meeting in this manner shall be deemed to be present in person at such meetings.
24. The continuing Directors (provided that there is a quorum as defined above) may act notwithstanding any vacancies.

DEADLOCK

25. If the Directors fail to agree at a meeting duly convened in accordance with Articles 18-24 (inclusive) of these Articles, the meeting will be adjourned for ten business days (or such other period of time as the Directors may agree) and reconvened. If the matter is still not agreed by the Directors at such reconvened meeting it will be referred to the Chairman or Managing Director (if none) of each of the members who will have a further ten business days from the date of such reconvened meeting within which to consider the matter and consult with each other and use every endeavour (including, in the absence of immediate agreement, forthwith referring the matter to appropriate professional advisors of the Company for their considered opinion) to reach agreement on the matter and, subject to the provisions of this Article, thereafter instruct their appointee Directors (as defined in Article 12) on how to proceed.
26. (A) If after the procedure provided for in Article 25 has been exhausted and the Directors fail to agree the matter in dispute or such appointee Directors fail to vote in accordance with their directions within the ten day period under the said procedure and, accordingly, there remains a dispute or disagreement between the holders of each class of shares as to any question which either of the holders of each class of shares considers to be of fundamental importance to the business of the Company (hereinafter called a "Deadlock Dispute") either member (hereinafter referred to as the "Offeror") may give notice in writing to the other (hereinafter referred to as the "Offeree") stating that such dispute or disagreement exists and that in the opinion of the Offeror it cannot be resolved by negotiation and offering to sell to the Offeree all of the shares in the capital of the Company which are owned by the Offeror at a price per share designated in such notice ("the Offer"). The Offeree shall have a period of three months

following the giving of such written notice in which to accept the offer by written notice to the Offeror. If the Offeree shall not accept the said offer within the said three month period the Offeror shall thereafter purchase from the Offeree and the Offeree shall sell to the Offeror all of the shares in the capital of the Company owned by the Offeree at the price per share designated in the Offer. If the Offeree accepts the Offer then the Offeror shall sell to the Offeree all of the shares in the capital of the Company owned by the Offeror at the price per share designated in the said notice.

- (B) If either the Offeror or Offeree exercises its right under Article 26(A), or becomes obliged, to purchase the shares in the capital of the Company which are owned by the other then the sale of such shares shall be completed at such place and on such date as the purchasing Offeror/Offeree may specify to the selling Offeror/Offeree provided that the date so specified is not less than seven nor more than ten days after the appropriate period of three months; at such completion the purchase price shall be paid by the purchasing Offeror/Offeree in cash in sterling against delivery of a duly executed transfer or transfers (in favour of such purchasing member) of the shares to be sold free from all encumbrances accompanied by the relevant certificate or certificates and/or other documents of title together with any power of attorney or other authority under which such transfer(s) shall have been executed and letters of resignation from the selling Offeror/Offeree's appointee directors and other officers discharging the Company in respect of all claims for compensation for loss of office or otherwise.
- (C) In the event that more than one notice is given in respect of a Deadlock Dispute the notice first served shall prevail.
- (D) No Offer may be withdrawn except with the consent of the party to whom it was given and save as aforesaid the same shall constitute a binding obligation upon the Offeror or as the case may be the Offeree to purchase a shareholding in the Company at the price and in the manner and on the terms and subject to the conditions contained in paragraphs (A) and (B) of this Article.
- (E) Each member appoints the other irrevocably and by way of security for the performance of its respective obligations under this Article as its attorney to execute any written consent to a transfer or a transfer of a shareholding required by this Article. In the event that such appointment is

utilised the purchasing Offeror/Offeree may deliver the purchase monies or cause the same to be delivered to the Company together with the relevant executed transfer and the Company shall cause the name of the transferee to be entered as the holder of the transferred shareholding and shall hold the purchase monies on trust for the selling Offeror/Offeree. Receipt by the Company of the purchase monies shall be a discharge to the purchasing Offeror/Offeree. The purchase monies shall not bear interest against the Company, the purchasing Offeror/Offeree or the transferee (or their respective successors).

DISENFRANCHISEMENT

27. If a member, being a company, shall go into liquidation whether voluntary or compulsory or is dissolved (except voluntary liquidation or dissolution for the purposes of reconstruction of which full particulars have previously been given to the other members in writing) or becomes insolvent or if a receiver or administrator of any of its assets or undertaking is appointed, or if a member, being an individual, becomes bankrupt or makes any arrangement or composition with their creditors generally or (if applicable) an effective Default Notice is served thereon under the Shareholders Agreement then any other member may serve notice thereof (a "Disenfranchisement Notice") on such member at any time thereafter (provided that no such notice may be served in respect of such a Default Notice until any applicable remedy period has expired). A Disenfranchisement Notice shall be invalid if the result of its valid service would be the service of valid Disenfranchisement Notices upon all members of the Company. Upon service of a valid Disenfranchisement Notice upon a member and until such time as the members may resolve to the contrary, such member shall have no voting rights or rights to sign written resolutions in respect of its shares and the restrictions contained in Article 8(B) of these Articles upon the sale of such Shares pursuant to the enforcement of the Company's lien or rights of forfeiture in respect thereof shall not apply thereto. In the event that Disenfranchisement Notices have been served on all members holding "A" Shares or all members holding "B" Shares and remain in effect the "A" Directors or the "B" Directors, as the case may be, shall have no voting rights or rights to sign written resolutions during such period, the quorum of all meetings of the Company shall be one member entitled to vote thereat, the quorum of all meetings of the Directors or committees thereof shall be one Director entitled to vote thereat and all resolutions (whether written or otherwise) of the Company, the Directors or committees thereof shall be valid notwithstanding that a member holding "A" Shares or "B" Shares or an "A"

Director or "B" Director has not voted in respect thereof.

CAPITALISATION OF PROFITS AND RESERVES

28. On any occasion when shares are allotted and issued credited as fully paid in accordance with regulation 110 of Table A the shares allotted to holders of "A" Shares shall forthwith on allotment automatically stand converted into "A" Shares and the Shares allotted to holders of "B" Shares shall forthwith on allotment automatically stand converted into "B" Shares. Regulation 110 shall be modified accordingly.

NOTICES

29. Every Director of the Company and every alternate Director shall be entitled to receive notices of general meetings in addition to the persons specified in Regulation 38 of Table A.
30. In addition to the provisions of Table A any notices or written resolutions may be given or passed as the case may be if transmitted by telex or facsimile transmission followed by delivery or sending by post within 48 hours of such transmission.

USE AND CUSTODY OF THE SEAL

31. The Directors shall provide for the safe custody of the Seal (if any), which shall only be used upon the authority of a prior resolution of the Directors or of a committee of the Directors authorised by the Directors on their behalf and every instrument to which the Seal shall be so affixed shall be signed as determined by resolution of the Directors or any duly authorised committee thereof authorising the use of the Seal. Where the Seal has been affixed to an instrument which has been signed by any Director such instrument shall be conclusively deemed to have been executed in accordance with the requirements of these regulations and to have taken effect accordingly.

INDEMNITY

32. Subject to the provisions of and so far as may be permitted by the Act, every Director or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgement is given in his favour (or the proceedings otherwise disposed of without any finding or

admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court and, subject to and so far as aforesaid, no Director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the company in the execution of the duties of his office or in relation thereto.

HAP-ADERWOOD-ARTS (DM.ADMIN)